MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2018/2019

DFA5024 – FINANCIAL ACCOUNTING 2

(For Diploma Students Only)

27 MAY 2019
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **9** pages with **4** questions.
2. Write your answers in the answer booklet provided.
3. Answer ALL questions.

QUESTION 1

Part A

Deen Hardware Store uses perpetual inventory system to record their inventory. During the month of October 2018, the following transactions were completed:

Oct 1	Purchased merchandise inventory from Bob Wholesaler RM5,800 terms 2/10, n/30.
2	Sold merchandise to Nico Enterprise RM3,100 terms 1/10, n/30. The cost of merchandise sold was RM2,300.
5	Received credit from Bob Wholesaler for merchandise returned RM500.
9	Received payment in full from Nico Enterprise.
10	Paid Bob Wholesaler in full.
12	Purchased merchandise for cash RM2,650.
15	Received refund for poor quality merchandise from supplier on cash purchase RM150.
17	Purchased merchandise from Rocky Distributors RM2,200, FOB shipping point, terms 2/10, n/30.
19	Paid freight charges on 17 October purchase RM200.
24	Sold merchandise for cash RM4,500, FOB destination. The freight cost of RM350 has been paid on this date. The merchandise sold had a cost of RM3,000.
27	Paid Rocky Distributors in full.
29	Made refunds to customer who has paid in cash for defective merchandise RM700. The returned merchandise had a cost of RM380.

Instruction:

Journalize the October transactions using a perpetual inventory system. (17.5 marks)

Continued...

Part B

Given below is the Adjusted Trial Balance of Mc Dinar Company as at 31 December 2018:

Account titles	Debit (RM)	Credit (RM)
Cash	80,000	
Account receivable	28,200	
Merchandise Inventory	18,000	
Prepaid insurance	3,000	
Vehicle	60,000	
Building	200,000	
Drawings	11,000	
Sales return and allowance	5,300	
Cost of goods sold	400,000	
Rent expense	8,300	
Freight out	4,500	
Utilities expense	10,700	
Depreciation expense - Vehicle	6,000	
Accumulated depreciation - Vehicle		12,000
Dividend revenue		8,000
Notes payable		40,000
Account payable		12,000
Utilities Payable		3,500
Common stock		200,000
Retained earnings		56,000
Sales revenue		550,800
Rent revenue		14,500
Unearned sales revenue		6,200
Salaries expense	60,000	
Interest expense	4,500	
Loss from sale of equipment	3,500	
Total	RM903,000	RM903,000

Instruction:

Prepare a multiple-step Statement of Profit or Loss for the year ended 31 December 2018.

(7.5 marks)

[TOTAL 25 MARKS]

Continued...

QUESTION 2

Part A

Given below is the Receipts and Payments Account of the MBJB Squash Club for the year ended 31 December 2018.

	RM		RM
Balance b/f	3,600	New Squash Equipment	2,900
Subscriptions	14,000	Rent of Court	7,900
Collections at Matches	3,000	Cost of Refreshments	3,000
Sales of Refreshments	5,300	Trainers Wages	4,500
Sales of Squash Equipment	500	Printing and Stationery	1,650
		Sundry Expenses	2,250
		Balance c/f	4,200
	26,400		26,400

The following additional information is available:

		31 Dec 2017 RM	31 Dec 2018 RM
1.	Squash Equipment at valuation	3,100	4,000
	Subscriptions paid in advance	-	300
	Subscriptions in arrears (owing)	200	-
	Inventory of refreshments (at cost)	500	600
	Owing to suppliers for refreshments	300	400
2.	The Squash equipment sold during 2018 had a value of RM 1,100 at 1 January 2018.		

Instructions:

(a) Prepare the Statement of Affairs as at 31 December 2017. (3 marks)

(b) Prepare the Refreshment Trading Account for the year ended 31 December 8. Show all your workings. (4 marks)

Continued...

(c) Prepare the Income and Expenditure Account for the year ended 31 December 2018. Show all your workings. (8 marks)

(d) Prepare the Statement of Financial Position as at 31 December 2018. (5 marks)

Part B

(a) Identify the benefits of perpetual inventory system. (3 marks)

(b) Differentiate between FOB shipping point and FOB destination in terms of ownership of goods. (2 marks)

[TOTAL 25 MARKS]

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QUESTION 3

Part A

On 1 January 2018, Razaria Enterprise had Accounts Receivable RM139,000, Notes Receivable RM25,000 and Allowance for Doubtful Accounts RM13,200. The notes receivable is from Dynaz Enterprise. It is a 4-month, 12% note dated 31 December 2017. Razaria Enterprise prepares financial statements annually.

During year 2018, the following transactions occurred:

Jan	5	Sold RM20,000 of merchandise to Eureka Enterprise, terms n/15.
	20	Accepted Eureka Enterprise's RM 20,000, 3-month, 9% note for balance due.
Feb	18	Sold RM8,000 of merchandise to Bella Enterprise and accepted Bella's RM8,000, 6-month, 9% note for the amount due.
Apr	20	Collected Eureka Enterprise note in full.
	30	Received payment in full from Dynaz Enterprise on the amount due.
May	25	Accepted Filla Enterprise's RM 4,000, 3-month, 7% note in settlement of a past-due balance on account.
Aug	18	Received payment in full from Bella Enterprise on note due.
	25	Filla Enterprise note was dishonored. Filla Enterprise is not bankrupt; future payment is anticipated.
Sept	1	Sold RM12,000 of merchandise to Xandra Enterprise and accepted a RM12,000, 6-month, 10% note for the amount due.

Instruction:

Journalise the above transactions. (11 marks)

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Part B

a) On 30 September 2018, the company exchanged old delivery equipment and paid RM36,000 cash for new delivery equipment. The old delivery equipment was purchased on 1 January 2016, for RM126,000 and was estimated to have a RM18,000 salvage value at the end of its 5-year life. Depreciation on the delivery equipment has been recorded through 31 December 2017. It is estimated that the fair value of the old delivery equipment is RM54,000 on 30 September 2018.

(b) On 30 June 2018, the company exchanged old office equipment and paid RM40,000 cash for new office equipment. The old office equipment originally cost RM80,000 and had accumulated depreciation to the date of disposal of RM35,000. It is estimated that the fair market value of the old office equipment on 30 June was RM60,000. The transaction has commercial substance.

Instruction:

Prepare the required journal entries for the year 2018 to record the above transactions for Elite Company which has a calendar year end and uses the straight-line method of depreciation. Show all your workings. (9 marks)

Part C

(a) Identify **TWO (2)** differences between capital expenditure and revenue expenditure. (4 marks)

(b) In general, how to determine whether an expenditure should be included in the acquisition cost of property, plant, and equipment? (1 mark)

[TOTAL 25 MARKS]

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QUESTION 4

Part A

The following information is available for Deevana Company for the year ended 31 December 2018:

	RM
Collection of principal on long-term loan to a supplier	35,000
Acquisition of equipment for cash	10,000
Purchase of land by issuing bonds payable	340,000
Proceeds from the sale of long-term investment at book value	27,000
Issuance of common stock for cash	20,000
Depreciation expense	25,000
Redemption of bonds payable at carrying (book) value	24,000
Payment of cash dividends	9,000
Net income	30,000

In addition, the following information is extracted from the comparative Statement of Financial Position for Deevana Company at the end of 2017 and 2018:

	2018 (RM)	2017 (RM)
Cash	102,000	14,000
Accounts receivable (net)	20,000	15,000
Prepaid insurance	17,000	13,000
Total current assets	RM139,000	RM42,000
Accounts payable	25,000	19,000
Salaries payable	4,000	7,000
Total current liabilities	RM29,000	RM26,000

Instruction:

Prepare a Statement of Cash Flows for the year ended 31 December 2018, using the indirect method. (10 marks)

Continued...

Part B

Given below is the Statement of Profit or Loss for Bright Company.

Bright Company Statement of Profit or Loss for the year ended 31 December 2018		
	(RM)	(RM)
Sales		8,000,000
(-) Cost of goods sold		5,400,000
Gross profit		2,600,000
Operating expenses:		
Selling expenses	500,000	
Administrative expenses	700,000	
Depreciation expenses	90,000	
Amortization expenses	30,000	1,320,000
Net income		1,280,000

Additional information:

1. Accounts receivable increased by RM400,000 during the year.
2. Inventory increased by RM250,000 during the year.
3. Prepaid expenses increased by RM200,000 during the year.
4. Accounts payable to merchandise suppliers increased by RM100,000 during the year.
5. Accrued expenses payable increased by RM180,000 during the year.

Instructions:

(a) Prepare the operating activities section of the Statement of Cash Flows for the year ended 31 December 2018, using the direct method. (4 marks)

Continued...

(b) Shows all your working for the following items:

i. Cash receipt from customers

ii. Cash payment to suppliers

iii. Cash payment for operating expenses (4 marks)

Part C

(a) Briefly explain the **FOUR (4)** advantages of preparing Statement of Cash Flows. (4 marks)

(b) Identify **THREE (3)** common adjustments to convert net income from accrual basis to cash basis. (3 marks)

[TOTAL 25 MARKS]

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